

The U.S.-Korea Free Trade Agreement

Congressman Kevin Brady (TX-08)
Remarks before the Greater Houston Partnership
As prepared for introduction
September 5, 2008

- Thanks so much John, for that kind introduction and to you and the Greater Houston Partnership for inviting me here today. I'm honored to be here with such distinguished panelists, Ambassador Veroneau and Minister Choi. John, Minister Choi, thank you so much for taking the time to travel to Houston.
- I'd also like to thank the Korean Economic Institute for helping to organize this event along with the Partnership, the Korean Consul General in Houston, Mr. Kim, along with great corporate sponsors UPS and Chevron.
- Up in Washington, I talk often talk about the benefits of open markets, and free trade – although lately to a brick wall – but it's a real privilege to have an opportunity to discuss those benefits with businesses back home in Texas. So thank you all for inviting me and being here today.
- I'd like to start by offering a bit of background on how free trade agreements work, how they benefit our economy, and just why the Korea FTA is so important to Texas and to our Houston companies.
- Free trade agreements, like the one with Korea, result from trade negotiations – our goal is to lower barriers in foreign markets that block out U.S. goods and services. Congress has the constitutional authority over trade, and the Ways and Means Committee, on which I serve, has jurisdiction over trade.
- But by nature Congress can't negotiate agreements with foreign countries – so we periodically 'lend' that authority to the President to allow the U.S. Trade Representative to negotiate, while consulting with Congress. Once the agreement is signed, Congress considers it by scheduling an 'up or down' vote – no amendments.
- This used to be called 'fast track' during the Clinton Administration, but is now called Trade Promotion Authority.

- Congress lent President Bush this authority in 2002, and since then, he's negotiated nearly a dozen agreements, seven of which were approved by Congress and are in effect.
- These agreements are working for us. Our FTA partners are some of the best customers we have for American goods and services. While our current partners only make up 7% of the global economy, they buy 40% of all we export abroad. And in this economy, strong export growth is what's keeping us afloat, accounting for 90% of GDP growth in the second quarter of this year.
- And for Texas, the largest exporting state in the nation, we have the most to gain from expanding exports and trade.
 - The Port of Houston is the second largest in the nation; trade supports 2.2 million Texas jobs, including 1 in 5 manufacturing jobs and 1 in 4 computer jobs.
 - We had \$168 billion in exports last year, including \$5.5 billion to Korea, our 4th largest partner. Over 28,000 Texas companies sell their products abroad.
 - And it's a win-win, too. 341,000 Texans are employed by foreign companies, including Korean companies like Samsung and LG Philips.
- Today, Congress has an opportunity to help boost our exports – and our GDP – even more – by approving the three pending agreements before us today: with Korea, with Colombia and with Panama.
- Each of these agreements is important on its own merit, but the Korea FTA, by far, is the largest and holds the most economic potential for our businesses, farmers, ranchers and workers. But we need your help to get it done.
- With the Korea FTA, our businesses go to the front of the line in the growing Korean economy, the 10th largest in the world. It gives us an economic and political edge in a strategically critical part of the world as we compete against China and others.
- U.S. companies will receive new access to Korea's 48 million consumers as Korea slashes tariffs and other trade barriers on billions of dollars of U.S. exports – manufactured goods, services and farm products. With 95% of the world's consumers outside our borders, it's no longer enough to simply "Buy American," we must "Sell American" as well.

- The importance of this agreement for our service providers, in particular, is huge. While Korea lowered many of its tariffs on manufactured goods during the Uruguay Round of the World Trade Organization, it kept in place hefty non-tariff barriers that made doing business difficult for many of our service providers, along with manufacturers and farmers to compete.
- But because of this agreement, Korea agreed to lower barriers and open up to U.S. financial services firms, life insurance, telecommunications, motion picture and express delivery services providers.
- The United States is already the world's top seller of services, and Korea is the six largest buyer. Eighty percent of Americans work in services and that is where we're seeing the most job growth for the future. More opportunities to sell abroad translate into more jobs at home, many of which often pay better, too.
- For example, with every 40 new international packages, UPS adds one new job with full benefits to its workforce. And UPS' exports have increased 28% to those countries with which the U.S. has recently enacted FTAs.
- For our telecommunications companies like AT&T, the Korea agreement removes inefficient barriers that hinder their business operations. For example, Korea currently prevents U.S. companies from owning 50% or more of telecom services in Korea. And when AT&T is laying cables under the sea, once they reach the beach they have to hand the traffic off to a Korean company. The FTA finds a creative path around these barriers.
- Our farmers and ranchers here in Texas would also enjoy a wealth of new opportunities in the Korean market. Korea used to be the third largest export market for U.S. beef – and Texas is the fourth largest producer in the country. Experts predict that when the beef trade is fully up and running again, the FTA – which would slash beef tariffs of up to 40% - could help make that a \$1 billion market for us.
- And those companies that help to support farm operations and infrastructure in growing country like Korea would benefit from this too. Caterpillar, which has 20 locations in the Houston area including a retail store in my district up in Conroe, pays an 8% tariff on all its large engines it ships to Korea. With the FTA, that tariff goes away along with all kinds of other barriers.

- And open access to the Korea market for Caterpillar will be even more buoyed with greater access through Panama– through preferential treatment under the Panama FTA and the expansion of the Panama Canal.
- The Korea FTA also includes important benefits for our energy companies here in Houston. I strongly believe America needs to take more responsibility for our own energy needs and unlock the resources we have here at home that continue to be off-limits by this Congress. At the same time, we need to strengthen the relationships we have with our close allies, like Korea, and move away from our dependence on oil from unstable or unfriendly nations.
- Chevron, for example, has long been active with its Korean partners. It has a 40 year joint venture with GS Caltex, the world’s fourth largest refinery and second largest energy company in Korea, where they make petroleum products that they sell to the United States.
- This agreement will help Chevron, its shareholders and employees, by not only locking-in preferential access to the Korean market, but also securing legal protections as it operates there.
- The Korea FTA helps protect U.S. investments, increase transparency, and ensure fair treatment for U.S. companies – all of which helps a company like Chevron manage large-scale risk.
- For Hewlett-Packard, another great Texas company, the Korea agreement will help by streamlining rules and regulations that speed commerce through the ports and get their products onto store shelves faster. In the FTA, for example Korea promised to clear goods through the ports electronically, and to give the private sector an opportunity to comment on new regulations before they are implemented.
- But all these great opportunities, for Texas, for our country, will never be realized if Congress fails to act. It’s an uphill battle right now in Washington and we need your help.
- Even as other countries – our competitors – negotiate trade agreements that exclude the U.S., politicians continue to block our own, blaming trade as the reason for job loss, for a struggling economy, when in fact only 3% of all job loss can be attributable to trade, and exports are the very thing that’s helping us now.
- Leaders in Congress keep moving the roadblock, making it impossible to ever reach the goal of approving the three pending agreements we have. Last year, it

was adding additional labor and environmental protections to the FTAs, which we did. This year, Speaker Pelosi said we must pass domestic legislation first, but she has yet to define what that is.

- Some speculate the compromise could be Trade Adjustment Assistance – an aid program that gives training and financial benefits to workers who lose their jobs to countries with which we have FTAs – but then Senate leaders refused to link passage of a TAA bill to a vote on the Colombia FTA.
- This Congress has turned off the time-clock on the Colombia FTA, next in line for consideration, and says the Korea FTA is fatally flawed. Opponents argue Korea FTA will never be brought to a vote because it doesn't do enough on autos, according to one U.S. auto manufacturer. But should this stop us from considering the agreement on its overall merits to our economy, or trying to find a way forward?
- Congress' "time-out on trade" is undermining our leadership and sending the wrong signal that the world's greatest economy is afraid to compete.
- We need your help. Not only in talking the benefits of the Korea agreement at home, with your employees and Members of Congress, but more broadly, communicating the benefits of trade, open markets and free enterprise to help change the negative environment we face every day in Washington.
- Thank you again for having me here and I'll turn things over to my friend Ambassador and Deputy U.S. Trade Representative John Veroneau.